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#### COST ACCOUNTING INCREASES PROFITABLEMESS

N. Vinnichenko

Learning production and financial results of the work of shops and brigades requires development of a system of planned technical and economic indexes and norms, and the organization of exact, timely accounting of their fulfillment.

The experience with shop and brigade cost accounting at Depot imeni Il'ich of the Western Railroad System shows what large reserves the enterprises of the railroad systems possess for reducing freight costs.

The depot ended 1947 with an operational overexpenditure of more than one million rubles. It was necessary to introduce cost accounting in the shops and loccoutive and repair brigades to make the depct profitable. The task was started with organization of intradepot technical planning.

The 1948 depot expenditure plan was distributed among the shops with increased indexes. A quarterly work plan was established for each shop covering technical and economic qualitative indexes, increased productivity of labor, wages based on wage-scale tables, additional payments, bonuses, premiums, the wage fund, the natural norms and cost of fuel, electric power, materials and lubriconts. All the financial indexes are incorporated in the expenditures and cost plan.

Beside the quarterly plan, a specified amount of work correlated with the tasks of the rathroad system's technical plan is assigned monthly and every 10 days. For example, a schedule of locomotives under repair, according to locomotive numbers and series, is placed in repair shops, and a 10-day schedule for delivery of locomotives is placed in servicing shops

The task for the locomotive servicing shop is specified in the plan in terms of locomotive mileage in all types of service, locomotive operating time in locomotive hours, and volume of work in kilometer-tons of gross weight. The technical and economic indexes of the shop show the utilization of locomotives as to turnover and average daily run, average operating speed excluding stops, average speed including stops, gross weight, percent of locomotives in had repair, and norms for time spent on technical operations in equipping locomotives

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The shop's planned amount of expenditure is determined each month by the actual locomotive mileage and the expenditure norms. Unproductive expenditures and between-trip locomotive repair have been eliminated. Rise in cost of repair with an unfulfilled mileage norm reflects on the shop which is at fault.

Application of cost accounting in the shops and brigades revealed large internal reserves, and ma' possible a sharp reduction in cost of the planned work in 1948 over 1947. Lest per locomotive-kilometer in all types of service was reduced 12.4 percent, the consumption norm and cost of fuel per 10,000 ton-kilometers of gross weight, 13 percent, cost of equipping locomotives, 6 percent, and the cost of operating coal cranes per one ton of hoisted fuel, 2 percent.

Locomotive turnover time was 6.9 percent lower than in 1947 and lower than the 1948 plan specified. The average daily run was increased 6.3 percent, and the average speed excluding stops was increased 5.4 percent. Introduction of brigade cost accounting on locomotives had a great effect on the fulfillment of the qualitative indexes.

In all series of lecomotives in 1948, expenditures on overhauls were 28.8 percent lower than in 1947, and on washing, 32.2 percent lower.

The condition of locomotives and the quality of repair have been improved. This is shown by the fact that the run between overhauls by passenger locomotives REG Increased 220Shpercent over 1947, by freight locomotives; 27.5 percent, and by shunting locomotives 20.7 percent. Between trip repair has been reduced, There has not been one case of nondelivery of locomotives, the propartice of locomotives under depot repair was 4 percent over a period of 10 months as opposed to the norm of 7 percent.

Eleven overhauls were saved by the increase in runs between repairs. The locomotives made additional runs amounting to 13,200 locomotive-kilometers, and more than 260,000 rubles were saved.

Reductions of idle time in repair is one of the results of increasing the volume of work in a locomotive park. At Depot imeni Il'ich, idle time of locomotives in washing and overhaul is less than the planned norm.

Fast overhaul, an additional source of profitableness, is being used more and more at the depot.

In October, the locomotive of Senior Engineer Sivakov was repaired in 32 hours as against the norm of 84 hours. The repair cost was 6,7% rubles under estimate. The locomotive of Senior Engineer Lyutakov was repaired in 25 hours at a saving of 5,548 rubles, and the locomotive of Senior Engineer Laytsev was repaired in 61 hours, saving 10,077 rubles. Idle time was decreased 134 hours on these three locomotives alone. In this time, the locomotives did an additional 1,500,000 ton-kilometers of work, and increased the income of the deput 13,700 rubles.

For evaluation of financial results, locomotives repaired in the shops are divided into two groups: (1) locomotives attached to the given depor, and (2) locomotives of other depots of the system.

Locomotives attached to the given depot are divided into locomotives which have fulfilled or overfulfilled the run norms between repairs, and locomotives which have not fulfilled these norms afficugh the fault of the repair shops or the servicing shop, or for other reasons.

Expenditure norms of shops for repair of locomotives of other depots are established in terms of repair according to series without regard for run fulfillment.

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The expenditure norms for locomotives which have fulfilled or overfulfilled the run norms are based on the measurement of 1,000 locomotivekilometers. The better the technical condition of locomotives, the longer their run, and therefore, the higher the planned repair cost.

If a locomotive is repaired before the set date of repair through the fault of the repair shops, the planned cost is determined by the product of the expanditure norm for 1,000 locomotive-kilometers and the fulfilled run. The overexpenditures on such locomotives reflect on the shops which have been guilty of poor repair work.

The director of the depot personally approves ahead of time a list of repairs for each locomotive, and determines the financial responsibility among the shops.

For estimation of each shep's profits or losses, an account of the planned was for the amount of fulfilled work is made and compared with the shop's happenditures, including in this sum only the expenditures of the given shep. The results of the work of other shops -- rise in cost of production, and overconsumption of materials and spare parts -- are not reflected in the york indexes of the given shop.

In 1948, the entire locomotive park at Depot imeni II'ich was converted to cost accounting. All expenditures of the servicing shop were apportioned among the locomotives. From month to month the number of unprofitable locomotives has decreased, and the total saving has increased. Locomotives operating on a cost-accounting basis in 1947 made possible a saving of 121,700 rubles for the year, and the saving was 681,400 rubles, or more than five times as great in 1948.

heside the expenditure saving in repair work, there was a great saving in fuel consumption. The depot was 6.7 percent over the norm for fuel consumption in 1947, and there was a saving of more than 500,000 rubles after payments of homees during 10 months of 1948. Thus, the locomotives and repair brigades of Depot imeni Il'ich operating on a cost-accounting basis have effected a saving of 1,400,000 rubles in operation of locomotives, alone. In the 1948 plan the locomotive repair norms were 10 percent lower than in 1947, and the fuel norms 12 percent lower.

Monthly checking of the results of the work exposed the lagging brigades, sections, and locomotives which did not observe the norms and which overconsumed resources. Placards indicating advanced and lagging shops, locomotives, and brigades, the daily schedules (planerki), monthly production meetings in the shops, reciprocal verification of agreements of socialistic competition, and news bulletins are some of the varied types or public control.

The experience of advanced workers is revealing tremendous cost-reduction reserves. The locomotive of Senior Engineer Vorobiyev made a run of 95,000 kilometers between overhaums saving 18,000 rubles and 107 tons of fuel, and the brigades of Senior Engineer Yeremin madiate possible to save 15,600 rubles and 166 tons of fuel on repair.

Improvement in the operation of the depot's locomotive park is reducing the cost of the system's freight and passenger service as a whole by increasing train speed and weight, accelerating railroad-car turn ver, and improving the work of locomotives in chunting. Preliminary totals of 1948 show that improvement in the operation of the locomotive park of Depot imeni Il'ich saved the Western Railroad System approximately 7 million r ?es over and above the plan. Of this amount, 3.435,000 rubles showed in the depot's balance for 10 manths.

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The following is the distribution of profit and saving in the depot's balance:

- 1. Deducted by the State, 1 November, 2,016,000 rubles.
- 2. Paid out in operating expenditures from the savings account
  - a. Boxus to depot engineers and technical workers, 256,000 rubles.
- b. Bonus to brigades and workers of the repair shops for high-quality repair work, 312,000 rubles. Of this amount, 98,000 was above plan.
  - c. Bonus to locomotive brigades for fuel economy, 981,000 rubles.
- ${\bf d}$  . Bonus for saving by cost accounting on locomotives coming out of overhaul
  - (1) to locomotive brigades 65,000 rubles.
  - (2) to repair brigades, 19,000 rubles,
- 3. Total paid out in bonuses from the saving made at the depot, 1,419,000 rubles.

In 1948, Depot imeni Il'ich was awarded the Red Banner three times, and given a financial bonus of 250,000 rubles for pre-sminence in the All-Union socialistic competition.

In addition to this, at the end of the year more than 320,000 rubles will be deducted for a director's fund and not less than 350,000 rubles for payment of a bonus to railroad engineers for operating without wrecks.

The depot's collective has overfulfilled the 1948 plan according to all indexes, and fulfilled its obligation 2 months ahead of time to give the state an accumulation of 2 million rubles over and above the plan. By the end of the year, an additional saving over and above the plan of not less than 500,000 rubles will have been accululated.

The depot cost-accounting organization is favorably reflected in the general financial condition of the depot. A comparison of the depot's balance of 1 Howember 1947 and 1 Howember 1948 is sufficient proof: Profits increased 1,500,000 rubles, overstocking was cut 200,000 rubles, liabilities were reduced 110,000 rubles, and a director's fund of 320,000 rubles will be established.

It is necessary to issue regulations to the subsidiary enterprises of the railroad systems and the locomotive and repair plants concerning subsidiary planting and shop and brigade cost accounting. These regulations were worked out in conferences of planning and finance workers as early as May and June, but to date neither the Central Planning and Economics Section nor the Central Finance Section has issued them. Acceleration of the issue of these regulations would be an effective sid to the subsidiary enterprises in the drive for cost reduction and profit increase.

Shop and brigade workers who make saving possible, and work on a cost-accounting basis, must receive a material reward in the form of a bonus. At present, only the locomotive and repair-shop brigades receive a bonus. The problem should be solved concerning a bonus for the coal-orane brigades and the casting, spring, wheel and tire, and other they brigades.

The size of the bonus paid shop engineers and technical workers must be differentiated according to the level attained in cost reduction in the stop. The Main Administration of Accounting of the Ministry on Transportation sust

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help the workers of the enterprises through developing and issuing a plan for the most rational system of transmitting records from shops to the accounting office of the depot.

Issuance of mean progressive norms is performed very slowly, and must be accelerated.

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